

# UTAH COUNTIES INDEMNITY POOL

## BOARD OF TRUSTEES MEETING

Friday, April 18, 2014 12:30 p.m.

Lion House, 63 E. South Temple, Salt Lake City, UT

## AGENDA

12:00 Lunch Provided

12:30 Call to Order Karla Johnson

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### ITEM ACTION

- |    |  |   |
|----|--|---|
| 1  | Review/Excuse Board Members Absent   | Karla Johnson   |
| 2  | Nominating Committee Report  | Alma Adams  |
| 3  | Board Candidate Speeches   | Steve Ferrell, Jim Kaiserman, Stan Summers,<br>Mark Whitney, Logan Wilde, Ron Winterton |
| 4  | Appoint At-Large Representative to the Board   | Alma Adams  |
| 5  | Review/Approve February 20, 2014 Meeting Minutes   | Karla Johnson   |
| 6  | Ratification and Approval of Payments and Credit Card Transactions   | Karla Johnson   |
| 7  | Review/Approve 2013 Financial Audit  | Mike Wilkins  |
| 8  | Review/Approve 2013 Member Equity  | Johnnie Miller  |
| 9  | Set Date and Time for Closed Meeting<br>to Discuss Character, Professional Competence, Physical/Mental Health of an Individual | Karla Johnson   |
| 10 | Action on Personnel Matters  | Karla Johnson   |
| 11 | Set Date and Time for Closed Meeting<br>to Discuss Pending or Reasonably Imminent Litigation                                   | Karla Johnson   |
|    | Action on Litigation Matters   | David Blackwell   |

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### INFORMATION

- |    |                                  |                |
|----|----------------------------------|----------------|
| 12 | Chief Executive Officer's Report | Johnnie Miller |
| 13 | Other Business                   | Karla Johnson  |
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Electronic Meeting Notice: 888-447-7153, Participant Passcode: 2261240





## BOARD OF TRUSTEES' MEETING MINUTES

April 18, 2014, 12:30 p.m.

Lion House  
63 E. South Temple, Salt Lake City, UT

### **BOARD MEMBERS PRESENT**

Karla Johnson, Secretary/Treasurer Kane County Clerk/Auditor  
Alma Adams, Iron County Commissioner  
William Cox, Rich County Commissioner  
Brad Dee, Weber County Human Resources  
Bret Millburn, Davis County Commissioner  
Seth Oveson, Carbon County Clerk/Auditor  
Mike Wilkins, Uintah County Clerk/Auditor

### **BOARD MEMBERS ABSENT**

Bruce Adams, *President*, San Juan County Commissioner  
Jim Eardley, *Vice President*, Washington County Commissioner  
David Blackwell, Emery County Attorney  
Kerry Gibson, Weber County Commissioner  
Alden Orme, Juab County Sheriff

### **MEMBERS PRESENT**

Scott Ericson, Box Elder County Personnel Director  
Steve Farrell, Wasatch County Council Member  
Jim Kaiserman, Wasatch County Surveyor  
Stan Summers, Box Elder County Commissioner  
Logan Wilde, Morgan County Council Member  
Ron Winterton, Duchesne County Commissioner

### **OTHERS PRESENT**

Johnnie Miller, UCIP Chief Executive Officer  
Sonya White, UCIP Chief Financial Officer

### **Call to Order**

Karla Johnson called this meeting, of the Utah Counties Indemnity Pool's Board of Trustees, to order at 12:30 p.m. on April 18, 2014 and welcomed those in attendance.

### **Review/Excuse Board Members Absent**

Mike Wilkins made a motion to excuse Bruce Adams, Jim Eardley, David Blackwell, Kerry Gibson and Alden Orme from this meeting. Bret Millburn seconded the motion, which passed unanimously.

### **Nominating Committee Report**

Alma Adams reported that the Nominating Committee received requests from ten member county officials that wanted to be considered for the vacant At-Large Representative to the UCIP Board of Trustees. The ten applicants were narrowed down to the six officials whose counties currently do not have representation on the Board. Alma Adams introduced Steve Farrell, Wasatch County; Jim Kaiserman, Wasatch County; Stan Summers, Box Elder County; Logan Wilde, Morgan County; and Ron Winterton, Duchesne County. Mark Whitney, Beaver County, was unable to attend the meeting.

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## UTAH COUNTIES INDEMNITY POOL

PO Box 95730, South Jordan, UT 84095-0730

Phone (801)565-8500 ☎ Fax (801)568-0495 ☎ [ucip.utah.gov](http://ucip.utah.gov)

### **Board Candidate Speeches**

The candidates: Steve Farrell, Jim Kaiserman, Stan Summers, Logan Wilde and Ron Winterton, each spoke to the Board about their willingness to serve. They gave information about themselves including details of their background that they felt would benefit all member counties as a representative on the UCIP Board. Mark Whitney requested that his speech be read aloud to the Board via a proxy.

### **Appoint At-Large Representative to the Board**

The Board of Trustees carefully considered each candidate. With the knowledge and experience each official portrays, the Board wanted the Trustees absent from this meeting to have an opportunity to hear the candidate speeches. William Cox made a motion tabling the At-Large Representative appointment until the next meeting on May 15. Bret Millburn seconded the motion, which passed unanimously. Karla Johnson explained the decision to the candidates.

Brad Dee made a motion tabling the agenda Action Items until the May 15 meeting. Bret Millburn seconded the motion, which passed unanimously.

Brad Dee and Bret Millburn requested to be excused from the remainder of the meeting.

### **Chief Executive Officer's Report**

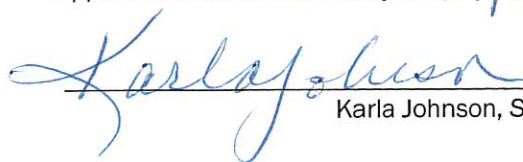
Johnnie Miller reported that the Director of the Utah Local Governments Trust (ULGT), Steve Hansen, left a message to set up a lunch meeting. The last time the UCIP Board met with the ULGT Board, the ULGT made it clear that the relationship between the two entities would be as competitors. Johnnie feels that if ULGT Management has changed their position to work cooperatively rather than competitively there would be reason to discuss the relationship. UCIP Trustees want to know the issues ULGT wants to discuss, and asked Johnnie to contact ULGT Management to determine the issues.

Karla Johnson questioned the issue of special service district operating without insurance. State Auditor, John Dougall, wants the counties to take control of the special service districts and the county auditors to audit them. Johnnie Miller explained that HB382 was written to clarify special service districts as political subdivisions of the state. Coverage for districts is an issue that the Board has continually examined. If UCIP's Bylaws are read more literally than conservatively, it is up to the Board if certain districts, Interlocal agencies or mutual aid societies can be covered as part of the county's membership. The Board will consider UCIP's position on coverage for districts at their June retreat.

### **Other Business**

The next meeting of the Board of Trustees will be held Thursday, May 15, 2014, 12:30 p.m. at the Courtyard Marriott, 185 S. 1470 E., St. George, UT.

Approved on this 18<sup>th</sup> day of April 2014



Karla Johnson, Secretary/Treasurer

# Entity: Utah Counties Indemnity Pool

## Public Body: Board of Trustees

**Subject:** Administrative Services

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**Notice Title:** Board of Trustees Meeting

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**Meeting Location:** 63 E. South Temple  
Salt Lake City 84150

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**Notice Date & Time:** April 18, 2014  
12:30 PM - 3:00 PM

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**Description/Agenda:**

Review/Excuse Board Members Absent  
Nominating Committee Report  
Board Candidate Speeches  
Appoint At-Large Representative to the Board  
Review/Approve February 20, 2014 Meeting Minutes  
Ratification and Approval of Payments and Credit Card Transactions  
Review/Approve 2013 Financial Audit  
Review/Approve 2013 Member Equity  
Set Date and Time for Closed Meeting  
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual  
Action on Personnel Matters  
Set Date and Time for Closed Meeting  
to Discuss Pending or Reasonably Imminent Litigation  
Action on Litigation Matters  
Chief Executive Officer's Report  
Other Business

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**Notice of Special Accommodations:**

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Indemnity Pool, PO Box 95730, South Jordan, UT 84095, or call 800-339-4070, at least three days prior to the meeting.

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**Notice of Electronic or  
telephone participation:**

Any Member of the Utah Counties Indemnity Pool Board of  
Trustees may participate telephonically.

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**Other information:**

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**Contact Information:**

Sonya White  
801-565-8500  
sonya@ucip.utah.gov

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**Posted on:**

April 14, 2014 11:55 AM

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**Last edited on:**

April 14, 2014 11:55 AM

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Printed from Utah's Public Notice Website (<http://pmn.utah.gov/>)

# Utah Counties Indemnity Pool Payments

February 21 - April 18, 2014

Type	Date	Num	Name	Memo	Amount
<b>ML Expense</b>					
Liability Check	03/13/2014		QuickBooks Payroll Service	Created by Payroll Service on 03/07/2014	-9,984.79
Check	02/28/2014			Service Charge	-81.40
Liability Check	03/28/2014		QuickBooks Payroll Service	Created by Payroll Service on 03/24/2014	-10,108.28
Liability Check	04/14/2014		QuickBooks Payroll Service	Created by Payroll Service on 04/10/2014	-10,108.27
Check	03/31/2014			Service Charge	-62.08
Liability Check	02/28/2014	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270446270147703	-4,010.08
Liability Check	02/28/2014	ONLINE	Utah Retirement Systems	Confirmation Number: 022828165937	-6,523.04
Liability Check	02/28/2014	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-2,058.43
Liability Check	02/28/2014	ONLINE	Utah State Tax Commission	Confirmation Number: 0-657-373-696	-1,328.88
Liability Check	03/10/2014	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2704469300773...	-4,010.00
Liability Check	03/26/2014	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2704485522025...	-4,062.64
Liability Check	03/31/2014	ONLINE	Utah Retirement Systems	Confirmation Number: 032523368906	-6,553.09
Liability Check	03/31/2014	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-2,058.43
Liability Check	03/31/2014	ONLINE	Utah State Tax Commission	Confirmation Number: 1-368-046-080	-1,339.83
Liability Check	04/11/2014	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2704501026353...	-4,062.66
Check	02/26/2014	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-3,671.56
Check	02/26/2014	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-1,606.55
Check	03/26/2014	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-862.72
Check	03/26/2014	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-735.93
Check	02/27/2014	7077	Lisa O. Brown	Producer License Fee	-81.60
Check	02/27/2014	7078	Jim Eardley	Mileage Reimbursement	-330.40
Check	02/27/2014	7079	Mike Wilkins	Mileage Reimbursement	-203.84
Check	02/27/2014	7080	Bruce Adams	Mileage Reimbursement	-336.00
Check	02/27/2014	7081	Alma Adams	Mileage Reimbursement	-246.40
Check	02/27/2014	7082	Karla Johnson	Mileage Reimbursement	-336.00
Check	02/27/2014	7083	Bret Millburn	Mileage Reimbursement	-35.84
Check	02/27/2014	7084	Kerry Gibson	Mileage Reimbursement	-60.48
Bill Pmt -Check	02/27/2014	7085	Marsh USA Inc.	Invoice Number: 622959382653	-5,335.89
Bill Pmt -Check	02/27/2014	7086	Fluid Advertising	Invoice Number: 3194	-600.00
Liability Check	02/28/2014	7087	Public Employees Health Program	Policy Number 1076 (Feb)	-4,718.34
Liability Check	02/28/2014	7088	Opticare of Utah	Invoice Number: 47080	-46.68
Check	02/28/2014	7089	PEHP-LTD	Coverage Period: FEB 2014	-174.70
Check	03/01/2014	7094	Seth Oveson	Expense Reimbursement	-790.73
Check	03/01/2014	7095	David Blackwell	Expense Reimbursement	-438.40
Check	03/01/2014	7096	Alden Orme	Expense Reimbursement	-404.56
Check	03/01/2014	7097	William E Cox	Expense Reimbursement	-803.52
Bill Pmt -Check	03/01/2014	7098	Utah Association of Counties	Order Number: 236852622	-75.00
Bill Pmt -Check	03/01/2014	7099	Western AgCredit	Invoice Number: 3-2014	-10,186.70
Check	03/07/2014	7100	Johnnie R. Miller	Expense Reimbursement	-538.56
Check	03/07/2014	7101	Sonya J. White	Expense Reimbursement	-697.73
Bill Pmt -Check	03/07/2014	7102	Arthur J. Gallagher & Co.	Invoice Number: 834731	-100.00
Bill Pmt -Check	03/07/2014	7103	Office Depot	35538769	-93.08
Bill Pmt -Check	03/07/2014	7104	Paetec	Invoice Number: 57062756	-807.44
Bill Pmt -Check	03/07/2014	7105	Premiere Global Services	Invoice Number: 15560138	-81.81
Bill Pmt -Check	03/07/2014	7106	Revco Leasing Company, LLC	Invoice Number: 352848	-435.91
Bill Pmt -Check	03/07/2014	7107	Whitney Advertising & Design, Inc.	Invoice Number: 17674	-432.82
Check	03/31/2014	7108	Garfield County	2013 WC Payroll Audit Refund	-1,278.95
Check	03/31/2014	7109	Kane County	2013 WC Payroll Audit Refund	-17,738.92
Check	03/31/2014	7110	Rich County	2013 WC Payroll Audit Refund	-406.75
Check	03/31/2014	7111	Sevier County	2013 WC Payroll Audit Refund	-189.64
Check	03/31/2014	7112	Tooele County	2013 WC Payroll Audit Refund	-12,864.81
Check	03/31/2014	7113	Washington County	2013 WC Payroll Audit Refund	-852.77
Check	03/31/2014	7114	Weber County	2013 WC Payroll Audit Refund	-12,293.41
Check	03/31/2014	7115	PEHP-LTD	Coverage Period: MAR 2014	-175.75
Liability Check	03/31/2014	7116	Public Employees Health Program	Policy Number 1076 (Mar)	-4,718.34
Liability Check	03/31/2014	7117	Opticare of Utah	Invoice Number: 47729	-46.68
Bill Pmt -Check	03/31/2014	7118	Les Olson Company	Invoice Number: EA510862	-467.89
Bill Pmt -Check	03/31/2014	7119	McDonald Fielding PLLC	Invoice Number: 21029	-115.50
Bill Pmt -Check	03/31/2014	7120	Office Depot	35538769	-201.97
Bill Pmt -Check	03/31/2014	7121	Purchase Power	Account Number: 8000909001895759	-250.00
Bill Pmt -Check	03/31/2014	7122	Whitney Advertising & Design, Inc.	Invoice Number: 17744	-619.41
Bill Pmt -Check	03/31/2014	7123	Whitney Advertising & Design, Inc.	Invoice Number: 17745	-928.22
Bill Pmt -Check	04/01/2014	7124	Utah Association of Counties	Order Number: 236852622	-75.00
Bill Pmt -Check	04/01/2014	7125	Western AgCredit	Invoice Number: 4-2014	-10,186.70
Bill Pmt -Check	04/01/2014	7126	Utah Association of Counties	Order Number: 244795485	-1,980.00
Bill Pmt -Check	04/01/2014	7127	Utah Association of Counties	Order Number: 244803085	-1,125.00
Check	04/11/2014	7128	Korby M. Siggard	Expense Reimbursement	-316.56
Bill Pmt -Check	04/11/2014	7129	Arthur J. Gallagher & Co.	Invoice Number: 871695	-1,555.30
Bill Pmt -Check	04/11/2014	7130	Revco Leasing Company, LLC	Invoice Number: 355475	-435.91
Bill Pmt -Check	04/11/2014	7131	TCNS, Inc.	Invoice Number: 4800	-610.00
Bill Pmt -Check	04/11/2014	7132	Utah Safety Council	VOID: Invoice Number: 10598	0.00
Bill Pmt -Check	04/11/2014	7133	Whitney Advertising & Design, Inc.	Invoice Number: 17759	-839.39
Bill Pmt -Check	04/11/2014	7134	Whitney Advertising & Design, Inc.	Invoice Number: 17784	-452.70
Total ML Expense					-172,346.66
<b>TOTAL</b>					<b>-172,346.66</b>



April 15, 2014

To the Board of Trustees  
Utah Counties Indemnity Pool

We have audited the financial statements of Utah Counties Indemnity Pool (the Pool) for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 10, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Pool are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Pool during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Pool's financial statements was:

Management's estimate of the reserves for losses and loss adjustment expense is based on actuarial estimates with data and assumptions provided by management. We evaluated the key factors and assumptions used to develop the liability account in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 14, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Pool's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Pool's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the Pool and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Wisan, Smith, Racker & Prescott, LLP*

Wisan, Smith, Racker & Prescott, LLP

**UTAH COUNTIES INDEMNITY POOL**

**FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**



**UTAH COUNTIES INDEMNITY POOL**  
**FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

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## **INDEPENDENT AUDITORS' REPORT**

**To the Board of Trustees  
Utah Counties Indemnity Pool  
South Jordan, Utah**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Utah Counties Indemnity Pool (the Pool or UCIP) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 • Las Vegas, Nevada • 89119 • 702.451.3099 (office) • 702.568.5030 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.  
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the Contributions and Loss Development Information on pages 25 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

*Wisan Smith Rader & Prescott, LLP*

Salt Lake City, Utah

April 14, 2014

**UTAH COUNTIES INDEMNITY POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year ended December 31, 2013**

In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Indemnity Pool (the Pool or UCIP) presents this Management's Discussion and Analysis for the readers of UCIP's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal years ended December 31, 2013 and 2012. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditors' report.

**FINANCIAL STATEMENTS PROVIDED**

Included in the independent auditors' report are the basic financial statements required under the GASB standards including:

- Statements of Net Position – Accounts for all assets and liabilities of UCIP as of December 31, 2013 and 2012, showing the balance of net position (assets minus liabilities) as of those dates.
- Statements of Revenues, Expenses, and Changes in Net Position – Accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net position (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses) and Administrative Expenses (primarily consisting of staff salaries and benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statements of Cash Flows – Accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Position as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.

**BASIS OF ACCOUNTING METHODS**

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements that differs significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.

**UTAH COUNTIES INDEMNITY POOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year ended December 31, 2013**

CONDENSED FINANCIAL INFORMATION

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

Assets and Liabilities

Current and other assets decreased \$1,019,632 at year end 2013 compared to the prior year end while investments increased \$743,689 for the same period. Capital assets decreased \$15,465 as a result of depreciation. Total assets decreased by \$291,408.

Total liabilities at year end 2013 increased \$1,851,464 over year ended 2012. This increase was primarily the result of a \$1,354,654 increase in amounts reserved for claims and claims expenses.

In 2013 and 2012, net position decreased by \$2,142,872 and increased \$214,356, respectively, during the fiscal years. The decrease in net position for 2013 is the result of the increase in estimated loss reserves and reserve strengthening. The Board has taken additional actions to reduce net position as outlined in the *Financial Position* section below.

The condensed statement of net assets for the years ended 2013, 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>2011</u>
Assets:				
Current and other assets	\$ 10,188,864	\$ 11,208,496	\$ (1,019,632)	\$ 10,173,048
Capital assets	26,983	42,448	(15,465)	89,848
Investments	3,687,846	2,944,157	743,689	3,372,991
Total assets	<u>\$ 13,903,693</u>	<u>\$ 14,195,101</u>	<u>\$ (291,408)</u>	<u>\$ 13,635,887</u>
Liabilities:				
Current and other liabilities	\$ 995,849	\$ 499,039	\$ 496,810	\$ 1,244,524
Reserve for losses and loss adjustment	9,103,341	7,748,687	1,354,654	6,658,344
Total liabilities	<u>10,099,190</u>	<u>8,247,726</u>	<u>1,851,464</u>	<u>7,902,868</u>
Net position:				
Invested in capital assets	26,983	42,448	(15,465)	89,848
Unrestricted	3,777,520	5,904,927	(2,127,407)	5,643,171
Total net position	<u>3,804,503</u>	<u>5,947,375</u>	<u>(2,142,872)</u>	<u>5,733,019</u>
Total liabilities and net position	<u>\$ 13,903,693</u>	<u>\$ 14,195,101</u>	<u>\$ (291,408)</u>	<u>\$ 13,635,887</u>

**UTAH COUNTIES INDEMNITY POOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year ended December 31, 2013**

Operating Revenue and Expense

Revenue from contributions and management fees decreased \$1,196,578 for a total of \$5,085,489 in 2013. This decrease is attributed to loss of members in 2013 and 2012. While the decrease in member contribution revenue presents a short term decrease in operating revenue, a corresponding decrease in liabilities will affect future statements over time. Operating expenses increased \$706,464 from the prior year due to an increase in loss reserves and an increase in reinsurance premiums for increased limits and coverages as outlined in the *Financial Position* section below.

The condensed statement of operating revenue and expense for the years ended 2013, 2012 and 2011 are as follows:

	2013	2012	Net Change	2011
Operating revenue:				
Contributions and other considerations	\$ 5,085,489	\$ 6,282,067	\$ (1,196,578)	\$ 5,922,572
Investment income	(27,410)	412,506	(439,916)	496,448
Other income	18,261	20,943	(2,682)	23,319
Total operating revenues	<u>5,076,340</u>	<u>6,715,516</u>	<u>(1,639,176)</u>	<u>6,442,339</u>
Operating expenses:				
Loss and loss adjustment expenses	4,531,942	3,879,089	652,853	3,053,104
Reinsurance premiums	1,537,993	1,574,107	(36,114)	1,377,842
General and administrative	1,141,539	1,051,814	89,725	1,023,945
Total operating expenses	<u>7,211,474</u>	<u>6,505,010</u>	<u>706,464</u>	<u>5,454,891</u>
Net operating income	(2,135,134)	210,506	(2,345,640)	987,448
Unrealized gain on investments	(7,738)	4,041	(11,779)	644
Loss on disposal of fixed assets	-	(191)	191	-
Change in net position	<u>\$ (2,142,872)</u>	<u>\$ 214,356</u>	<u>\$ (2,357,228)</u>	<u>\$ 988,092</u>

Investments

As a governmental subdivision regulated by the Money Management Council, UCIP invests the majority of funds in the Public Treasurer's Investment Fund (PTIF). Utilizing this "safe harbor" for compliance with the Money Management Act also provides UCIP significant liquidity and protection of capital in its invested assets. In 2011, UCIP moved \$2,000,000 of invested funds to Zions Wealth Advisors in anticipation of increasing investment rates. While investments with Zions Wealth Advisors outperformed the PTIF by a small amount in 2013 and 2012, it is expected these investments will outpace the PTIF more significantly as the market strengthens.

Equity investments consist of equity ownership in County Reinsurance Limited (CRL), a property and liability reinsurance pool of county based pools across the United States. UCIP is a member of CRL.

**UTAH COUNTIES INDEMNITY POOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year ended December 31, 2013**

The condensed statement of cash and cash equivalents and investments for the years ended 2013, 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>2011</u>
Cash and cash equivalents:				
Cash on deposit	\$ 1,696,207	\$ 3,323,091	\$ (1,626,884)	\$ 302,048
Public Treasurer's Investment Fund	7,733,255	6,338,084	1,395,171	7,819,311
Zions Wealth Advisors	98,838	932,845	(834,007)	140,905
Total cash and cash equivalents	<u>9,528,300</u>	<u>10,594,020</u>	<u>(1,065,720)</u>	<u>8,262,264</u>
Investments:				
Investments - U.S. government securities	1,953,117	1,105,752	847,365	1,863,104
Equity investment in County Reinsurance Limited	1,207,951	1,311,627	(103,676)	1,015,441
Land held for sale	526,778	526,778	-	494,446
Total investments	<u>3,687,846</u>	<u>2,944,157</u>	<u>743,689</u>	<u>3,372,991</u>
Total cash and cash equivalents and investments	<u>\$ 13,216,146</u>	<u>\$ 13,538,177</u>	<u>\$ (322,031)</u>	<u>\$ 11,635,255</u>

*Financial Position*

UCIP's net position at year end 2012 was \$5,947,375. This amount exceeded the target net position identified in the Net Asset Management Plan. The Net Asset Management Plan was adopted by the Board in 2012 to actively manage UCIP's net position between 90-100% of annual revenue. The plan provides that when net position exceeds 100% of annual revenue, the Board should issue dividends as experience dividends and/or equity dividends based on the UCIP Dividend Policy.

In 2013 the Board undertook a multi-faceted approach regarding the excess equity. At no cost to members, additional reinsurance was purchased to increase liability limits, to add cyber liability coverage and to improve overall coverages. Dividends in the amount of \$91,328 were returned to members. The Board utilized equity to offset the increased costs of member property appraisals. These actions by the Board, coupled with the increase in "expected" loss and loss adjustment expenses, results in a net position of \$3,804,503 at December 31, 2013. Based on the 2014 member contributions of \$4,590,930, the surplus to premium ratio at year end 2013 was within industry standards.

The condensed statement of changes in net position for the years ended 2013, 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>2011</u>
Revenues and expenses:				
Revenues	\$ 5,068,602	\$ 6,719,366	\$ (1,650,764)	\$ 6,442,983
Expenses	7,211,474	6,505,010	706,464	5,454,891
Net income	<u>(2,142,872)</u>	<u>214,356</u>	<u>(2,357,228)</u>	<u>988,092</u>
Net position, beginning of year	<u>5,947,375</u>	<u>5,733,019</u>	<u>214,356</u>	<u>4,744,927</u>
Net position, end of year	<u>\$ 3,804,503</u>	<u>\$ 5,947,375</u>	<u>\$ (2,142,872)</u>	<u>\$ 5,733,019</u>

**UTAH COUNTIES INDEMNITY POOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year ended December 31, 2013**

BUDGET

Revenue

Actual 2013 revenues were \$140,052 less than budgeted due to investment income underperforming the budgeted estimate.

Losses and Reinsurance Expenses

Actual 2013 expenses were \$1,553,414 more than budgeted due primarily to an increase in losses and loss adjustment expenses.

Administrative Expenses

Management closely monitored budgeted administrative expenses of \$1,221,254 and was able to operate with actual expenses of \$1,050,212, nine percent less than budgeted. The savings on actual to budgeted expenses was achieved primarily in the areas of staff expenses, professional services and office operations.

MARKET TRENDS IN 2014

Management anticipates continued competitive pressure due to protracted soft market conditions.

Property

Changes in catastrophic loss models which significantly increased the modeled earthquake loss exposure for the entire state of Utah in 2011 were updated early in 2013 with some reduction in the modeled earthquake exposure for portions of Utah, which may provide some relief on property reinsurance premiums from that budgeted for 2014.

Liability

While the overall market conditions are believed to remain competitive, signs of carriers increasing liability premiums continue into 2014. Most notably is the industry's move to exclude cyber liability risk from standard general liability and errors and omissions forms without a corresponding rate reduction, while selling this coverage as a new separate policy form for significant additional premium. Eventually, the liability market will increase premiums to improve their combined ratios to attract investors. This eventual "hardening" of the market will relieve some competitive pressure, but will also create increased reinsurance costs.

Questions concerning any of the information in this report, or any other matters related to UCIP's budget and finances should be addressed to the Chief Financial Officer, Utah Counties Indemnity Pool, PO Box 95730, South Jordan, Utah 84095.

**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENTS OF NET POSITION**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,528,300	\$ 10,594,020
Accounts receivable	6,796	1,505
Reinsurance recoverable	373,248	332,617
Prepaid expenses	269,184	269,018
TOTAL CURRENT ASSETS	<u>10,177,528</u>	<u>11,197,160</u>
INVESTMENTS	3,161,068	2,417,379
CAPITAL ASSETS	26,983	42,448
OTHER ASSETS		
Land held for investment	526,778	526,778
Security deposits	<u>11,336</u>	<u>11,336</u>
TOTAL ASSETS	<u><u>\$ 13,903,693</u></u>	<u><u>\$ 14,195,101</u></u>
<b>LIABILITIES AND NET POSITION</b>		
CURRENT LIABILITIES		
Reserves for losses and loss adjustment expenses	\$ 9,103,341	\$ 7,748,687
Accounts payable	7,369	5,455
Accrued expenses	56,860	52,702
Contributions paid in advance	931,620	440,882
TOTAL CURRENT LIABILITIES	<u>10,099,190</u>	<u>8,247,726</u>
TOTAL LIABILITIES	<u>10,099,190</u>	<u>8,247,726</u>
NET POSITION		
Net investment in capital assets	26,983	42,448
Unrestricted	<u>3,777,520</u>	<u>5,904,927</u>
TOTAL NET POSITION	<u><u>3,804,503</u></u>	<u><u>5,947,375</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 13,903,693</u></u>	<u><u>\$ 14,195,101</u></u>

*The accompanying notes are an integral part of the financial statements.*

**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
OPERATING INCOME		
Contributions	\$ 5,085,489	\$ 6,282,067
Investment income (loss)	(27,410)	412,506
Other income	18,261	20,943
TOTAL OPERATING INCOME	5,076,340	6,715,516
UNDERWRITING EXPENSES		
Losses and loss adjustment expenses	4,531,942	3,879,089
Reinsurance coverage	1,537,993	1,574,107
TOTAL UNDERWRITING EXPENSES	6,069,935	5,453,196
ADMINISTRATION EXPENSES		
Board of trustees	47,400	39,731
Depreciation	15,464	15,441
Dividend expense	91,328	-
Loss control	45,090	49,974
Marketing	15,401	15,931
Office operations	172,854	185,933
Professional services	119,919	144,812
Staff expenses	634,083	599,992
TOTAL ADMINISTRATION EXPENSES	1,141,539	1,051,814
TOTAL OPERATING EXPENSES	7,211,474	6,505,010
NET OPERATING INCOME (LOSS)	(2,135,134)	210,506
OTHER INCOME (EXPENSES)		
Loss on sale of capital assets	-	(191)
Unrealized gain (loss) on investments	(7,738)	4,041
TOTAL OTHER INCOME (EXPENSES)	(7,738)	3,850
CHANGE IN NET POSITION	(2,142,872)	214,356
NET POSITION AT BEGINNING OF YEAR	5,947,375	5,733,019
NET POSITION AT END OF YEAR	<u>\$ 3,804,503</u>	<u>\$ 5,947,375</u>

*The accompanying notes are an integral part of the financial statements.*

**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2013 and 2012**

	2013	2012
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Contributions collected	\$ 5,570,936	\$ 7,036,931
Other fees collected	18,261	20,943
Reinsurance paid	(1,538,159)	(1,608,355)
Losses and loss expenses paid	(3,217,919)	(2,970,063)
Cash paid to employees	(629,924)	(586,981)
Other administrative expenses paid	(490,078)	(437,868)
NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	(286,883)	1,454,607
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	(847,365)	757,352
Investment income	68,528	120,361
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	(778,837)	877,713
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(564)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(564)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,065,720)	2,331,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,594,020	8,262,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,528,300</u>	<u>\$ 10,594,020</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Change in net position	\$ (2,142,872)	\$ 214,356
Adjustments to reconcile change in net position to net cash flows from (used by) operating activities		
Depreciation	15,464	15,441
Interest on investments	(76,266)	(116,320)
(Increase) decrease in equity in CRL	103,676	(296,186)
Unrealized gain (loss) on investments	7,738	(4,041)
Loss on sale of capital assets	-	191
Accounts receivable	(5,291)	1,511,873
Prepaid expenses	(165)	(34,248)
Reinsurance recoverable	(40,631)	(181,317)
Reserves for loss and loss adjustment expenses	1,354,654	1,090,343
Accounts payable	1,914	(1,487)
Accrued expenses	4,158	13,011
Contributions paid in advance	490,738	(757,009)
Total adjustments	1,855,989	1,240,251
NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	<u>\$ (286,883)</u>	<u>\$ 1,454,607</u>

*The accompanying notes are an integral part of the financial statements.*

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Operations*

The Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit Interlocal entity formed under Section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the Interlocal Agreement that creates UCIP. The Pool is referred to as a "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

*Accounting Principles*

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Pool has also adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. With the implementation of these statements, the Pool has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net position as net investment in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. The following is a summary of the more significant policies.

*Basis of Accounting*

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as accrued expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund (PTIF) and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

Investments in U.S. Government securities as of December 31, 2013 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL, which represents its share of the undistributed earnings or losses of CRL.

Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct Board meetings and training. In September 2008, the Board determined to hold the land as an investment for future sale.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as contributions paid in advance in the statement of net assets.

Contributions

Contributions are collected annually on January 1.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$15,464 and \$15,441, respectively.

Net Asset Management

To assure that the Pool's assets are adequate without holding excessive net assets, the Pool manages net asset levels between 90% and 100% of annual revenue. Net assets should be controlled within a minimum of 50% and a maximum of 120% of annual revenue. The Pool utilizes a Rate Stabilization Fund and a Dividend Plan to manage net assets.

The Rate Stabilization Fund is utilized to designate surplus to fund unexpected increases in expenses which necessitate increases in rates short term to allow rate increases to be made incrementally, or to negate temporary rate increases. The Rate Stabilization Fund is a Board-designated portion of unrestricted net assets, and as required by GASB, is reported as a designation only in the notes to the financial statements. The balances in the Rate Stabilization Fund at December 31, 2013 and 2012 were \$200,000 and \$0, respectively.

The Dividend Plan is utilized by the Board to return excess net assets to members.

The Net Asset Management Plan indicates net assets should not exceed 100% of contributions unless the Pool has specific needs for such surplus, which may include the following: expectation of new membership; development of a new line of coverage; development of new or expanded coverage; or development of new or expanded services.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount actuarially determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. The liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

The Pool's actuary provides a range of estimates of the reserves for losses and loss adjustment expenses at three levels of confidence: low (50% confidence), expected (66% confidence) and high (80% confidence). Accounting standards require the Pool to book the "expected" level of reserves on its financial statements, and does not allow for the Board to designate or delineate any other amount in the range on the financial statements. In consideration of their duty to protect public funds and the inability of the Pool to assess members if reserves are not adequate, the Board prefers to reserve for claims with greater confidence than the 66% "expected" level. To accomplish this, while complying with audit standards, the Board has adopted, as part of their Net Asset Management Plan, a Claims Deterioration Fund, an amount voluntarily designated by the Board as Net Assets to be deducted from Total Net Assets (referred to as Unrestricted Net Position on the financial statements) when determining Net Assets available for payment of dividends to members. For 2013, the Board approved designating \$430,000 into the Claim Deterioration Fund to assure these additional funds are available if the "expected" claim reserves are ultimately found to be inadequate to pay all liabilities of the Pool. The Board believes managing Net Assets in this manner protects members from large rate increases in the event claims experience does deteriorate.

Subsequent Events

Management of the Pool has evaluated subsequent events through April 14, 2014, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2013 and 2012. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the State Money Management Act.

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$1,696,207 and \$3,323,091 as of December 31, 2013 and 2012, respectively. The corresponding bank balance of the deposits was \$1,729,532 and \$3,329,650 as of December 31, 2013 and 2012, respectively.

All of the Pool's cash on deposit bank accounts are noninterest-bearing. The FDIC had no limits on noninterest-bearing accounts in financial institutions insured by the FDIC for the period of January 1, 2010 to December 31, 2012. As of January 1, 2013, all noninterest-bearing and other depositors' accounts will be aggregated and insured up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category.

The Public Treasurer's Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund but the PTIF is subject to oversight by the State Money Management Council and all investments in PTIF are considered to be in compliance with the State Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years.

The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Wealth Advisors, DBA Contango Capital Advisors, is an investment advisory firm certified by the State Money Management Council and all investments with Zions Wealth Advisors are in compliance with the State Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors investments are not insured or otherwise guaranteed.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Pool's bank balances exceeded FDIC coverage by \$1,479,532 as of December 31, 2013 and fully insured by FDIC as of December 31, 2012.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)  
Custodial Credit Risk (continued)

As of December 31, 2013 and 2012, the Pool's cash and cash equivalents and investments included the following:

	<u>2013</u>	<u>2012</u>
Cash on deposit	\$ 1,696,207	\$ 3,323,091
Public Treasurer's Investment Fund	7,733,255	6,338,084
Zions Wealth Advisors	98,838	932,845
Total cash and cash equivalents	<u>9,528,300</u>	<u>10,594,020</u>
Investments - U.S. government securities	1,953,117	1,105,752
Equity investment in County Reinsurance Limited	1,207,951	1,311,627
Land held for sale	526,778	526,778
Total investments	<u>3,687,846</u>	<u>2,944,157</u>
Total cash and cash equivalents and investments	<u>\$ 13,216,146</u>	<u>\$ 13,538,177</u>

Investments

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually.

All other investments are through the Public Treasurer's Investment Fund (PTIF). The differences between book value and fair value as of December 31, 2013 and 2012 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
<b>2013</b>					
Securities	\$ 1,960,855	\$ -	\$ (7,738)	\$ 1,953,117	\$ 1,953,117
Equity	1,311,627	-	(103,676)	1,207,951	1,207,951
Land	526,778	-	-	526,778	526,778
Total investments	<u>\$ 3,799,260</u>	<u>\$ -</u>	<u>\$ (111,414)</u>	<u>\$ 3,687,846</u>	<u>\$ 3,687,846</u>
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
<b>2012</b>					
Securities	\$ 1,101,711	\$ 4,041	\$ -	\$ 1,105,752	\$ 1,105,752
Equity	1,015,441	296,186	-	1,311,627	1,311,627
Land	526,778	-	-	526,778	526,778
Total investments	<u>\$ 2,643,930</u>	<u>\$ 300,227</u>	<u>-</u>	<u>\$ 2,944,157</u>	<u>\$ 2,944,157</u>

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's policy for managing interest rate risk is to comply with the State Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The Pool manages its exposure to declines in fair value by investing in the Public Treasurer's Investment Fund (PTIF) and other securities and by adhering to the Act. Following are the Pool's investments at December 31, 2013:

Investment Type	Carrying Amount and Fair Value	Investment Maturities (in years)	
		Less than 1	1-5
Debt securities:			
Corporate bonds	\$ 501,078	\$ 351,254	\$ 149,824
Mortgage-backed securities	1,452,039	-	1,452,039
Total debt securities	1,953,117	351,254	1,601,863
Other investments:			
CRL equity	1,207,951		
Land	526,778		
Total other investments	1,734,729		
Total investments	\$ 3,687,846		

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the State Money Management Act.

Investments are categorized into these three categories of credit risk:

- Category One - Insured or registered, or securities held by the Pool or its agent in the Pool's name.
- Category Two - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.
- Category Three - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

*Credit Risk (continued)*

As of December 31, 2013 and 2012, investments in U.S. government securities in the amount of \$1,953,117 and \$1,105,752, respectively, are considered to be Category three securities. As of December 31, 2013 and 2012, Public Treasurer's Investment Fund (PTIF) investments, equity investments in County Reinsurance Limited (CRL) and land held for sale in the total amount of \$9,467,984 and \$8,176,489, respectively, are uncategorized investments.

NOTE 3 - INVESTMENT INCOME

Investment income is comprised of the following as of December 31, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
<b>Interest:</b>		
Bonds	\$ 21,095	\$ 30,547
Equity	(103,676)	296,186
Cash	55,171	85,773
Total interest income	<u>\$ (27,410)</u>	<u>\$ 412,506</u>
<b>Cash received:</b>		
Cash	\$ 55,171	\$ 85,773
Total cash received	<u>55,171</u>	<u>85,773</u>
<b>Noncash adjustments:</b>		
Equity	(103,676)	296,186
Bonds	(7,738)	4,433
Change in accrued interest	35,693	20,757
Amortization	(6,860)	5,357
Total noncash adjustments	<u>(82,581)</u>	<u>326,733</u>
Total investment income	<u>\$ (27,410)</u>	<u>\$ 412,506</u>

NOTE 4 - INTEREST RATES

The interest rates for assets held with the Utah Public Treasurer's Investment Fund (PTIF) were 0.6813 percent and 0.7092 percent as of December 31, 2013 and 2012, respectively.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 5 - CAPITAL ASSETS**

The capital assets and related accumulated depreciation of the Pool are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>2013</u></b>				
Capital assets being depreciated:				
Office furniture and equipment	\$ 167,190	\$ -	\$ -	\$ 167,190
Total capital assets, being depreciated	167,190	-	-	167,190
Less accumulated depreciation for:				
Office furniture and equipment	(124,742)	(15,464)	-	(140,207)
Total accumulated depreciation	(124,742)	(15,464)	-	(140,207)
Total capital assets being depreciated, net	42,448	(15,464)	-	26,983
Total capital assets, net	<u>\$ 42,448</u>	<u>\$ (15,464)</u>	<u>\$ -</u>	<u>\$ 26,983</u>
<b><u>2012</u></b>				
Capital assets being depreciated:				
Office furniture and equipment	\$ 293,452	\$ 564	\$ (126,826)	\$ 167,190
Total capital assets, being depreciated	293,452	564	(126,826)	167,190
Less accumulated depreciation for:				
Office furniture and equipment	(203,604)	(15,441)	94,303	(124,742)
Total accumulated depreciation	(203,604)	(15,441)	94,303	(124,742)
Total capital assets being depreciated, net	89,848	(14,877)	(32,523)	42,448
Total capital assets, net	<u>\$ 89,848</u>	<u>\$ (14,877)</u>	<u>\$ (32,523)</u>	<u>\$ 42,448</u>

**NOTE 6 - REINSURANCE**

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,021,156 and \$1,984,257 as of December 31, 2013 and 2012, respectively. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

NOTE 6 - REINSURANCE (CONTINUED)

Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2002) in the amount of \$373,248 and \$332,617 from its reinsurers for accrued losses as of December 31, 2013 and 2012, respectively.

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amounts of \$907,021 and \$1,805,836 as of December 31, 2013 and 2012, respectively, exceed three percent of the Pool's surplus and are considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of December 31, 2013, the Pool does not have any disputed balances or uncollectible funds.

NOTE 7 - RETIREMENT PLANS

Cost-Sharing Defined Benefits Pension Plan

**Plan Description.** The Pool contributes to the Local Governmental Public Employees' Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The URS provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with Title 49 of Utah Code Annotated 1953 as amended.

The Noncontributory System is established and governed by Chapter 13, Title 49 of Utah Code Annotated 1953 as amended. Utah Code Ann. §49-11-202, as amended, provides for the administration of the URS and any System under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 E. 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** The Pool is required to contribute 17.29 percent of covered salary to the Noncontributory System for Tier 1 employees. The Pool is required to contribute 13.99 percent of covered salary to the Noncontributory System for Tier 2 employees. The contribution rates are determined by URS using actuarial analysis.

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

The contribution requirements of the Noncontributory System are authorized pursuant to Utah Code Ann. §49-13-301, as amended, and specified by the Utah State Retirement Board. The Pool's contribution to the Noncontributory System for the years ending December 31, 2013, 2012 and 2011 was \$68,276, \$63,346 and \$60,328, respectively. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

*Defined Contribution Pension Plans*

The Pool is required to contribute 1.59 percent of covered salary to the Noncontributory System Tier 2 Fund 401(k) plan (administered by the Utah State Retirement Systems). The total Tier 2 Fund retirement expense for the Pool as of December 31, 2013 was \$1,410. The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed five percent of the employee's eligible payroll. The total retirement expense for the Pool as of December 31, 2013 and 2012 was \$7,496 and \$11,549, respectively.

**NOTE 8 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES**

Reserves for incurred losses and loss adjustment expenses attributable to covered events of prior years has increased by approximately \$1,354,654 and \$1,090,343 in 2013 and 2012, respectively, as a result of reestimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

The unpaid claims, losses and loss adjustment expenses of the Pool as of December 31, 2013 and 2012 are:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 7,748,687	\$ 6,658,344
Incurred loss:		
Current year	3,151,548	3,618,948
Prior year	(1,057,825)	172,979
Change in total incurred	<u>2,093,723</u>	<u>3,791,927</u>
Paid:		
Current year	586,016	843,801
Prior year	153,053	1,857,783
Total paid	<u>739,069</u>	<u>2,701,584</u>
Balance at December 31	<u><u>\$ 9,103,341</u></u>	<u><u>\$7,748,687</u></u>

**UTAH COUNTIES INDEMNITY POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 9 - OPERATING LEASE COMMITMENT**

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid \$127,956 and \$133,009 in rent as of December 31, 2013 and 2012, respectively.

Future minimum rental commitments for the building operating lease are as follows:

2014	\$ 118,977
2015	125,602
2016	<u>10,492</u>
Total minimum lease payments	<u>\$ 255,071</u>

**NOTE 10 - CONTINGENCIES**

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

**REQUIRED SUPPLEMENTARY INFORMATION**

# UTAH COUNTIES INDEMNITY POOL

## Contribution and Loss Development Information (Unaudited)

The following table compares the Pool's earned revenues, net of reinsurance and investment income, to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by the Pool. The table is defined as follows: (1) shows each year's net earned contributions, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows how each coverage year's incurred losses increased or decreased as of the end of the successive years: this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (6) compares the latest reestimated incurred loss amounts to the amounts originally established. Pool information is only available in the format shown below for the years presented.

(in thousands)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(1) Earned contributions, other operating revenues and investment revenues, net of reinsurance	3,912	5,073	9,542	12,433	16,116	6,952	4,662	5,064	5,141	3,538
(2) Unallocated expense	242	-	-	-	-	-	-	-	-	-
(3) Estimated incurred claims, both paid and accrued, end of accident year	2,663	2,526	2,445	2,620	3,143	3,164	3,612	3,193	4,246	3,152
(4) Paid (cumulative) as of:										
End of accident year	1,104	1,383	1,059	1,332	1,302	1,126	584	995	347	586
One year later	1,786	2,361	2,289	2,296	2,076	1,246	932	1,542	1,538	-
Two years later	2,171	2,832	2,672	3,103	1,640	1,781	1,601	1,719	-	-
Three years later	2,463	3,276	3,324	2,202	2,249	2,142	2,500	-	-	-
Four years later	2,642	3,427	2,392	2,273	2,666	2,465	-	-	-	-
Five years later	2,911	2,368	2,298	2,366	2,908	-	-	-	-	-
Six years later	2,460	2,526	2,396	2,478	-	-	-	-	-	-
Seven years later	2,658	2,526	2,409	-	-	-	-	-	-	-
Eight years later	2,656	2,526	-	-	-	-	-	-	-	-
Nine years later	2,663	-	-	-	-	-	-	-	-	-
(5) Reestimated incurred losses and expenses:										
End of accident year	2,663	2,526	2,445	2,620	3,143	3,164	3,612	3,193	4,246	3,152
One year later	2,656	2,526	2,497	2,544	3,142	2,789	3,113	3,472	3,619	-
Two years later	2,710	2,526	2,484	2,524	2,771	2,902	3,188	3,129	-	-
Three years later	2,657	2,737	2,696	2,751	2,704	2,748	2,876	-	-	-
Four years later	2,566	2,756	2,553	2,978	2,631	2,887	-	-	-	-
Five years later	2,583	2,792	2,181	3,216	2,772	-	-	-	-	-
Six years later	2,262	2,878	1,983	2,810	-	-	-	-	-	-
Seven years later	2,469	2,875	2,345	-	-	-	-	-	-	-
Eight years later	2,667	2,824	-	-	-	-	-	-	-	-
Nine years later	2,645	-	-	-	-	-	-	-	-	-
(6) Increase (decrease) in estimated incurred losses and expenses from end of accident year	(18)	298	(100)	190	(371)	(277)	(736)	(64)	(627)	-

## **SUPPLEMENTARY AUDITORS' REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**To the Board of Trustees  
Utah Counties Indemnity Pool**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Counties Indemnity Pool (the Pool or UCIP), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated April 14, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**WISAN, SMITH, RACKER & PRESCOTT, LLP**

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Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.  
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wisam Smith Racker & Prescott, LLP*

Salt Lake City, Utah  
April 14, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH*  
*LEGAL COMPLIANCE AUDIT GUIDE***

**To the Board of Trustees  
Utah Counties Indemnity Pool**

***REPORT ON COMPLIANCE***

We have audited the Utah Counties Indemnity Pool's (the Pool or UCIP) compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2013. The general compliance requirements applicable to the Pool are identified as follows:

- Cash Management
- Budgetary Compliance
- Utah Retirement Systems Compliance
- Conflicts of Interest
- Utah Public Finance Website

The Pool did not receive any major assistance programs from the State of Utah during the year ended December 31, 2013.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the Pool's management.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Pool's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Pool and its major programs occurred. An audit includes examining, on a test basis, evidence about the Pool's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pool's compliance with those requirements.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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### ***Opinion***

In our opinion, Utah Counties Indemnity Pool, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the Pool is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Pool's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### ***Purpose of Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wisam Smith Raulen & Prescott, LLP*

Salt Lake City, Utah  
April 14, 2014



# UTAH COUNTIES INDEMNITY POOL



## Member Equity Calculation

Member	Total \$\$				Ratio
	2012 Equity	2013 Equity	Change	2014 Premium	
Beaver	151,487	<b>101,283</b>	-50,204	101,584	99.7%
Box Elder	449,971	<b>344,195</b>	-105,776	226,261	152.1%
Carbon	144,904	<b>32,203</b>	-112,701	219,786	14.7%
Daggett	27,280	<b>3,036</b>	-24,244	48,126	6.3%
Davis	795,984	<b>532,635</b>	-263,349	506,480	105.2%
Duchesne	227,834	<b>159,909</b>	-67,925	137,598	116.2%
Emery	449,647	<b>378,592</b>	-71,055	143,657	263.5%
Garfield	169,071	<b>113,589</b>	-55,482	124,636	91.1%
Iron	402,983	<b>287,638</b>	-115,345	247,059	116.4%
Juab	190,525	<b>128,949</b>	-61,576	114,364	112.8%
Kane	151,732	<b>99,055</b>	-52,677	127,854	77.5%
Millard	235,989	<b>146,136</b>	-89,853	184,099	79.4%
Morgan	-7,243	<b>-33,324</b>	-26,081	57,443	-58.0%
Piute	34,006	<b>23,164</b>	-10,842	20,134	115.0%
Rich	74,928	<b>56,797</b>	-18,131	39,311	144.5%
San Juan	292,494	<b>199,507</b>	-92,987	189,947	105.0%
Sanpete	217,716	<b>174,948</b>	-42,768	104,242	167.8%
Sevier	194,856	<b>129,301</b>	-65,555	144,738	89.3%
Uintah	476,715	<b>307,211</b>	-169,504	299,193	102.7%
Wasatch	280,149	<b>172,950</b>	-107,199	224,264	77.1%
Washington	482,512	<b>315,245</b>	-167,267	345,583	91.2%
Wayne	85,981	<b>63,444</b>	-22,537	51,348	123.6%
Weber	343,035	<b>29,455</b>	-313,580	709,800	4.1%
Total	<b>5,872,556</b>	<b>3,765,918</b>	<b>-2,106,638</b>	<b>4,367,507</b>	<b>86.2%</b>

# UTAH COUNTIES INDEMNITY POOL



## Member Equity Calculation

Member	Total \$\$				Ratio
	2011 Equity	2012 Equity	Change	2013 Premium	
Beaver	120,114	<b>151,487</b>	31,373	99,513	152.2%
Box Elder	361,399	<b>449,971</b>	88,572	221,408	203.2%
Carbon	110,142	<b>144,904</b>	34,762	219,410	66.0%
Daggett	22,022	<b>27,280</b>	-82,862	53,488	51.0%
Davis	635,947	<b>795,984</b>	773,962	547,555	145.4%
Duchesne	182,350	<b>227,834</b>	-408,113	133,930	170.1%
Emery	365,908	<b>449,647</b>	267,297	144,856	310.4%
Garfield	134,692	<b>169,071</b>	-196,837	125,802	134.4%
Iron	321,263	<b>402,983</b>	268,291	240,000	167.9%
Juab	152,981	<b>190,525</b>	-130,738	114,288	166.7%
Kane	120,797	<b>151,732</b>	-1,249	140,567	107.9%
Millard	188,346	<b>235,989</b>	115,192	191,199	123.4%
Morgan	-6,974	<b>-7,243</b>	-195,589	57,280	-12.6%
Piute	28,164	<b>34,006</b>	40,980	20,034	169.7%
Rich	60,702	<b>74,928</b>	46,764	35,892	208.8%
San Juan	232,906	<b>292,494</b>	231,792	188,455	155.2%
Sanpete	174,744	<b>217,716</b>	-15,190	96,117	226.5%
Sevier	155,436	<b>194,856</b>	20,112	144,239	135.1%
Tooele	39,728	<b>74,635</b>	-80,801	454,675	16.4%
Uintah	375,274	<b>476,715</b>	436,987	355,842	134.0%
Wasatch	227,871	<b>280,149</b>	-95,125	223,993	125.1%
Washington	385,454	<b>482,512</b>	254,641	337,249	143.1%
Wayne	69,836	<b>85,981</b>	-141,890	45,017	191.0%
Weber	258,202	<b>343,035</b>	-42,419	694,594	49.4%
Total	<b>4,717,304</b>	<b>5,947,191</b>	<b>1,219,912</b>	<b>4,885,403</b>	<b>121.7%</b>

# ZIONS® Wealth Advisors

## ACCOUNT SUMMARY

UCIP

Account #8913870

From 3/01/2014 Through 3/31/2014

### ACCOUNT SUMMARY (COST):

BEGINNING BALANCE:	2,054,499.30
DEPOSITS IN THE PERIOD:	-
WITHDRAWALS IN THE PERIOD:	-
REALIZED GAIN/LOSS:	-
GROSS INCOME:	2,000.34
MANAGEMENT FEE (0.124%):	(216.00)
ENDING BALANCE:	2,056,283.64

### PERFORMANCE SUMMARY

INTEREST EARNED:	2,263.93
AMORTIZATION/ACCRETION (Month to Date):	(253.30)
REALIZED GAIN/LOSS:	-
GROSS EARNINGS:	2,010.63
MANAGEMENT FEE (0.124%):	(216.00)
NET EARNINGS:	1,794.63
AVERAGE DAILY BALANCE:	2,055,187.40
GROSS EARNINGS RATE:	1.1361%
(360-day yield)	
NET EARNINGS RATE:	1.0141%
(360-day yield)	

\* Performance calculated using trade-date accounting.

\* Management fee is charged on first day of following month, then back-dated to reflect the charged fee for the month in which it was earned. Funds invested in PTIF are not charged management fees.

\* This summary is provided as a courtesy and for informational purposes only. It should not be used for tax purposes. Clients should refer to their custodial statement as the official account documentation.

\* Please note that amortization and accretion makes up a portion of the Gross Earnings. Amortization and accretion is expense / income that is received from buying securities at a premium / discount (i.e., commercial paper).

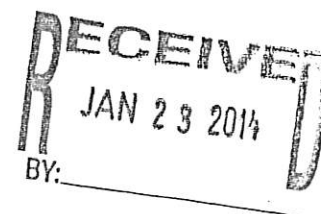
\* Contango Capital Advisors is a registered investment adviser and a non-bank affiliate of Zions Bank and a non-bank subsidiary of Zions Bancorporation. In Utah and Idaho, Contango operates under the name Zions Wealth Advisors. Some representatives of Zions Wealth Advisors are also registered representatives of Zions Direct, which is a member of FINRA/SIPC and a non-bank subsidiary of Zions Bank. Investment products and services are not insured by the FDIC or any federal or state governmental agency, are not deposits or other obligations of, or guaranteed by, Zions Bank, Zions Bancorporation or its affiliates, and may be subject to investment risks, including the possible loss of principal value or amount invested.



# THE LION HOUSE

RESTAURANT • WEDDINGS • BANQUETS

801-539-3250 or 1-800-546-6449.



Contact Name: Sonya White  
Address: PO Box 95730 South Jordan, UT 84095  
Telephone: (801) 307-2113 Bkg#: E10737  
Company/Group: UCIP  
Event Information

Date	Start	Serving	End	Description	Banquet Room	Count	Room Rent
Friday, April 18, 2014	12:00 pm		3:00 pm	Lunch Meeting	Garden	15	\$75.00

**\*\*The Lion House reserves the right to change room assignments based on final counts**

Food/Beverages - Menus are due one month prior to the event.

Additional requests - Centerpieces, Fresh Flowers, Audio Visual available at various rates.

I have reviewed and understand the Temple Square Hospitality Corporation's Banquet Policies and Procedures. I understand that all food, linens and audiovisual equipment costs are subject to the 20% service charge and the current Salt Lake City sales tax. All other costs are subject to the current Salt Lake City sales tax. A non-transferable, non-refundable deposit HAS BEEN PAID. Upon Temple Square Hospitality Corporation's receipt of the deposit with a signed copy of this contract, this booking will be considered definite. The full deposit amount will be credited to the final bill.

Please mail the contract to The Lion House, Attn: Catering Office, 63 East South Temple, SLC, Utah, 84150 or you may Fax the contract to 801-539-3256

I understand that the Temple Square Hospitality Corporation reserves the right to inspect and control all private functions and cannot assume responsibility for damage to or loss of any merchandise or articles left in the building prior to, during or following an event.

I understand and agree that the final guaranteed guest count and payment for **WEDDING RECEPTIONS** are due in full and must be received by the catering staff **SEVEN** working days prior to the event. **FOR ALL OTHER EVENTS** I understand and agree that the final guaranteed guest count and payment are due in full and must be received by the catering staff **TWO** working days prior to the event. All other billing arrangements must be made in advance. I understand that a finance charge of 1-1/2% (18% annual percentage rate) will be charged on any unpaid past due accounts. I understand that I am responsible for payment of any additional collection and legal fees incurred by the Temple Square Hospitality Corporation in collection of the debt. All monies are due and payable in Salt Lake City, Salt Lake County, Utah.

Personal checks will be accepted for deposits. We no longer accept personal checks for final payment. Final payment may be in the form of credit card, cash or Cashier's check. All fees and prices subject to change.

Gaye S. Platt  
Gaye Platt

Jan 17, 2014  
Date

Sonya White  
Sonya White

1/27/2014  
Date

**\*\*Please sign and return by January 31, 2014.**



# THE LION HOUSE

RESTAURANT • WEDDINGS • BANQUETS

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Gaye Platt

Date

Sonya White

Date

**\*\*Please sign and return by January 31, 2014.**

Pat  
539-3254



# Event Checklist

Client/Organization UCIP	Event Date 04/18/2014 (Fri)	Booking Contact Sonya White	Site Contact Sonya White	Event # E10737
Address PO Box 95730, South Jordan, UT 84095		Telephone (801) 307-2113	Theme Lunch	Guests 15 (Pln)
Event Name UCIP	Theme Lunch	Category	Event Coordinator Gaye Platt	

## ORGANIZATION : UCIP

Address: PO Box 95730

### Not Done

Checklist Item	Due	Assigned To	Done	Done By
<u>Gaye</u>				
Final Count and Payment	04/15/2014			
Contract Received	01/31/2014			
Menu and Linens	03/18/2014			
Final Review	04/04/2014			

### Done

Checklist Item	Due	Assigned To	Done	Done By
<u>Gaye</u>				
Contract Sent	01/18/2014		01/17/2014	Gaye Platt
Deposit Due	01/31/2014		01/17/2014	Gaye Platt



## Sonya White

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**To:** Patti Savage  
**Subject:** Menu for UCIP  
**Attachments:** 2014 Lion House Banquet Luncheon.docx; TC-721G.pdf

Hi Patti,

I have attached the menu file with our choices highlighted. We have one Board member that needs a gluten and dairy free meal. We will have the complimentary white linens. Right now my count is at 15. When is the last day you need the final number? Also, as discussed, we will need a screen and cart w/power. Please set the tables in a U-Shape. Do you have wireless Internet?

Thank you and we'll be in touch as we get closer to the event.

**Sonya White**  
*Chief Financial Officer*  
**Utah Counties Indemnity Pool**  
PO Box 95730  
South Jordan, UT 84095-0730  
801-307-2113 *d*  
801-568-0495 *f*  
801-558-8060 *c*  
[ucip.utah.gov](mailto:ucip.utah.gov)

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**From:** Patti Savage [<mailto:PSavage@templesquarehospitality.com>]  
**Sent:** Wednesday, March 19, 2014 1:06 PM  
**To:** [sonya@ucip.utah.gov](mailto:sonya@ucip.utah.gov)  
**Subject:** menu

Sonya;;  
Sorry, here is the information again;  
Thanks for your time and if you want to email your choices back that works great.  
Sincerely;  
*Patti Savage*  
*Event Coordinator*  
*The Lion House*  
*Monday - Friday 9 am to 4 pm*  
*801-539-3254*  
[psavage@templesquarehospitality.com](mailto:psavage@templesquarehospitality.com)

